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Report Highlights:

The Argentine beef sector is recovering from the Foot and Mouth disease crisis of 2001. Beef production is forecast to increase marginally to 2.8 million metric tons in 2003. Exports are projected to jump 25 percent to 440,000 metric tons as result of newly re-opened markets and being price competitive. In early 2003 the National Meat Institute finally began to operate. Its main objective is to promote local beef and the funding will be private under a checkoff program.

Includes PSD changes: Yes
Includes Trade Matrix: No
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SECTION I. SITUATION AND OUTLOOK

Argentine cattle slaughter and beef production are projected to increase slightly in 2003. The additional beef is expected to be directed entirely to the export market, which is forecast to jump to a total of 440,000 MT.

The devaluation of early 2002 brought much needed oxygen to an industry which was struggling from sanitary problems and high costs. Beef exports became very competitive at the same time as most markets (over 60) began to reopen to Argentine fresh beef after successfully overcoming the foot and mouth disease (FMD) crisis of 2001. However, returns in the export business are expected to be somewhat slim in 2003, as local cattle prices are expected to continue high and FOB prices somewhat weak as a result of strong international competition. Local sources hope the important markets of Canada and the United States to open in mid-2003 and early 2004, respectively.

One of the most recent markets to open was Chile. This is one of the top markets for Argentina, and it is expected that part of the large volume which used to be exported will be regained. Some sources estimate that about 30,000 MT could be shipped during 2003, especially now that Paraguayan exports to Chile are prohibited because of FMD. There are great expectations about Chile as exporters hope to obtain better prices than what they are getting in other markets and that it is an excellent complement of the Hilton quota, as Chileans take primarily forequarters.

Although traditionally an erratic market for Argentina, Russia, which has recently opened, also creates good expectations as Argentine beef is now price-competitive. Exporters estimate that 5-7,000 MT of fresh beef could be shipped to that market during 2003.

Exports to the EU are expected to remain high as Argentina will have to ship before July 2003 the balance of the temporarily augmented 2002 Hilton Quota (it went from 28,000 MT to 38,000 MT only for that year), calculated at 16,000 MT, plus roughly half of the 2003 quota which will begin in July. Current prices for Hilton quota are close to \$5,500 MT, considered to be low. Germany will continue to be the largest buyer of this type of beef, but the UK and the Netherlands are expected to continue increasing their purchases under the quota.

After several years of delays, finally the Instituto Nacional de Carnes (National Meat Institute) began operating in mid-January. The objective of the institute is to promote the use of Argentine beef, but focusing especially on the export market. The funding will come from the private sector under a checkoff program, by which ranchers will pay 70 percent of the price of a kilo of live steer per slaughtered head and 30 percent will be paid by meat packers. Collection will begin next March, totaling roughly 24 million pesos a year.

The 70 percent devaluation which occurred in 2002 brought significant changes to the local economy. The great winners were those industries with an important export share and those which could replace imports. Farmers and ranchers' returns improved substantially as grain prices followed practically the value of the dollar and cattle prices, due to the strong pressure of beef exporters, more than tripled in pesos. While imported agricultural inputs also followed the value of the dollar, other costs such as labor, taxes, fuel, electricity, etc. increased much less. As an example of

how business improved with the devaluation, cow-calf producers' net returns went from breakeven to an average US\$20 per hectare and cattle finishers (on pastures) went from losing money to a net result of over US\$33 per hectare. Producers' better financial situation has helped them to market their cattle only when optimal, as they know that putting extra kilos to their cattle is good business. The improved profitability of cattle has led to a marginal increase in production, with some cattlemen putting into production more replacement heifers or even giving another opportunity to old cows. However, the vastly superior profitability of crops to cattle has limited the increase in cattle numbers as producers maximized grain and oilseed acreage.

Both dairy and feedlot production were negatively affected by the devaluation, which brought much higher feed costs and turned crop production very attractive, making farmers shift to grains and oilseeds production. Farmgate milk prices are projected to increase (due to tight supplies) and improve much needed profitability. In 2002 there were many dairies which disappeared and also many which reduced their operations to a minimum. Although difficult to evaluate, there were many dairy cows and heifers which were sent to slaughter as their value as beef exceeded that of a milk producing animal.

The feedlot industry plummeted in 2002 (roughly 1/3 of the output of 2001 which totaled almost 2 million head), primarily because of the instability of the exchange rate which made cattle and feed prices unpredictable. In addition, the premium paid by the domestic market for light, fed cattle diminished considerably as a result of the deep economic recession and the strong demand of exporters who prefer heavier cattle.

In 2003 the recovery in feedlot production may occur due to the elimination of the government's ban on exporting beef from feedlots. However, relatively high feed costs and continued instability is likely to keep such recovery limited. Therefore, we do not foresee in the short run any important impact on the export side as production costs under this system are still very high and returns negative in most cases.

Domestic beef consumption for 2003 is forecast to remain very similar to 2002. Retail prices are expected to lag behind the inflation rate (expected between 20-30 percent) and will likely limit price increases. Beef exports and high prices of most by-products (hide, tallow, offals) which are mostly tied to the dollar will continue to "subsidize" somewhat the price of beef in the local market. The following table shows the price of cattle and beef since the devaluation in early 2002 (in pesos per kilo):

	Cattle - Pesos Live kilo	Beef - Pesos kilo
December 2001	0.71	3.34
December 2002	2.13	6.11
Difference	200%	83%

Live steer prices for 2003 are forecast to range between US\$ 0.55-0.60, roughly what beef exporters can afford to pay. In 2002 many plants reopened, especially small/medium regional packers. There are also a dozen plants which are getting prepared to begin exports.

SECTION II. STATISTICAL TABLES

PSD Table						
Country	Argentina					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	50167	50167	50669	50369	51264	50869
Dairy Cows Beg. Stocks	2450	2450	2300	2200	2150	2150
Beef Cows Beg. Stocks	18500	18500	18300	18500	18100	18400
Production (Calf Crop)	14200	14000	13800	13800	13400	13700
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	2	0	0	0	0
TOTAL Imports	2	2	0	0	0	0
TOTAL SUPPLY	64369	64169	64469	64169	64664	64569
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	5	0	5	1
TOTAL Exports	0	0	5	0	5	1
Cow Slaughter	4000	3800	4200	4200	4000	4000
Calf Slaughter	1830	1730	1700	1600	1700	1700
Other Slaughter	6670	6770	6300	6500	6800	6900
Total Slaughter	12500	12300	12200	12300	12500	12600
Loss	1200	1500	1000	1000	1000	1000
Ending Inventories	50669	50369	51264	50869	51159	50968
TOTAL DISTRIBUTION	64369	64169	64469	64169	64664	64569
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Calendar Yr. Exp. to U.S.	0	0	0	0	0	0
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PSD Table						
Country	Argentina					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	12500	12300	12200	12300	12500	12600
Beginning Stocks	26	26	0	0	0	0
Production	2680	2640	2640	2700	2730	2800
Intra EC Imports	0	0	0	0	0	0
Other Imports	13	19	8	9	5	10
TOTAL Imports	13	19	8	9	5	10
TOTAL SUPPLY	2719	2685	2648	2709	2735	2810
Intra EC Exports	0	0	0	0	0	0
Other Exports	168	170	280	350	340	440
TOTAL Exports	168	170	280	350	340	440
Human Dom. Consumption	2551	2515	2368	2359	2395	2370
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2551	2515	2368	2359	2395	2370
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2719	2685	2648	2709	2735	2810
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Calendar Yr. Exp. to U.S.	0	0	0	0	0	0
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